

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Benzonia Township	County Benzie
Audit Date 3/31/05	Opinion Date 6/2/05	Date Accountant Report Submitted to State: June 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 6/28/05	

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

MARCH 31, 2005

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statements of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5-6
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	7
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	8
Notes to Financial Statements	9-19
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	20-21
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	22
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	23-24
Analysis of Revenues	25
Analysis of Expenditures	26-30
<u>Fire Fund</u>	
Balance Sheet	31
Statement of Revenues, Expenditures and Changes In Fund Balance	32-33
<u>Fire Improvement Fund</u>	
Balance Sheet	34
Statement of Revenues, Expenditures and Changes In Fund Balance	35

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
<u>Road Improvement Fund</u>	
Balance Sheet	36
Statement of Revenues, Expenditures and Changes in Fund Balance	37
<u>Parks Improvement Fund</u>	
Balance Sheet	38
Statement of Revenues, Expenditures and Changes in Fund Balance	39
 Agency Funds	
Statement of Changes in Assets and Liabilities	
Agency Fund	40
Current Tax Collection Fund	41
 Other Information	
Statement of 2004 Tax Roll	42
Letter of Comments and Recommendations	43-44
Letter of Reportable Conditions	45-46

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 2, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benzonia Township, Benzie County, Benzonia, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Benzonia Township, a general law township located in Benzie County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Benzonia Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,486,896. Of this amount, \$1,100,367 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,099,530 an increase of \$96,142 in comparison with the prior year. About 78.94% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Benzonia Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,486,896 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 1,100,367
Non Current Assets	
Capital Assets	1,155,045
Less: Accumulated Depreciation	<u>(768,516)</u>
Total Non Current Assets	<u>386,529</u>
Total Assets	<u>\$ 1,486,896</u>
Liabilities	<u>\$ 0</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	386,529
Restricted for Specific Purposes	231,545
Unrestricted	<u>868,822</u>
Total Net Assets	<u>\$ 1,486,896</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$868,822 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The total net assets of the Township increased by \$49,854 or 3.47% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Benzonia Township Change in Net Assets for the Fiscal Year Ended March 31, 2005		<u>Governmental Activities</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$	50,827
Operating Grants and Contributions		1,500
General Revenues		
Property Taxes and Assessments		266,121
State Shared Revenue		137,669
Unrestricted Investment Earnings		14,625
Other		<u>8,864</u>
Total Revenues	\$	<u>479,606</u>
<u>Expenses</u>		
Legislative	\$	45,562
General Government		150,851
Public Safety		150,002
Public Works		2,864
Recreation and Culture		21,067
Other Functions		<u>59,406</u>
Total Expenses	\$	<u>429,752</u>
Changes in Net Assets		49,854
NET ASSETS - Beginning of Year		<u>1,437,042</u>
NET ASSETS - End of Year	\$	<u><u>1,486,896</u></u>

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$49,854 or 3.47% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Benzonia Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millages, this fiscal year. The Township levied .8701 mills for operating purposes, and .7198 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township. The grant received during the current fiscal year assisted the Township in acquiring additional fire equipment to assist in more effective fire protection.

The Township's governmental activities expenses are dominated by general governmental expenses that total 35.10% of total expenses. The Township spent \$150,851 in fiscal year 2005 on general governmental expenses. Public safety represented the next largest expense at \$150,002 followed by other functions at \$59,406. These represent 34.90% and 13.82% respectively. Expenses for salaries and supplies, represent a large portion of the general governmental expenses at \$98,069. Depreciation expense added another \$8,935.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Benzonia Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Benzonia Township's governmental funds reported combined ending fund balances of \$1,099,530. Approximately 78.94 % of this total amount (\$867,985) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund decreased its fund balance by \$14,803 which brings the fund balance to \$277,618. Of the General Fund's fund balance, \$277,618 is unreserved. All General Fund functions ended the year with expenditures below budgeted amounts. Property tax revenues increased by 2.90% or \$4,537. Sales and use tax revenues decreased by \$1,412 from the prior year. This represents a 1.06% reduction which resulted from the State Actions in response to the economic slowdown experienced throughout the State of Michigan.

Fire Fund – The Fire Fund decreased its fund balance by \$6,916 which brings the fund balance to \$231,545. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2004 tax roll. This resulted in \$104,893 in tax related revenues during the current fiscal year. The Fire Fund also received a \$1,500 volunteer fire assistance grant from the State of Michigan.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$386,529 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 2.63%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

BENZONIA TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Benzonia Township
Capital Assets as of March 31, 2005

	Governmental Activities
Land	\$ 72,000
Buildings	295,898
Land Improvements	38,889
Equipment, Furniture and Fixtures	748,258
	<hr/>
	\$ 1,155,045
Less Accumulated Depreciation	768,516
	<hr/>
Net Capital Assets	\$ 386,529
	<hr/>

Major capital asset events during the current fiscal year included the following:

- ◆ Kubota tractor with backhoe cost \$14,300.
- ◆ Thermal Heat Imager to enhance the Township's fire protection cost \$8,050.
- ◆ Pagers for firemen cost \$7,280.

Long-Term Debt

Benzonia Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease by at least 5% in the 2005-06 fiscal year.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Benzonia Township at P.O. Box 224, Benzonia, MI 49616-0224.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 811,279
Receivables	
Taxes	19,074
Agency Funds	249,922
Due From Other Governments	<u>20,092</u>
 Total Current Assets	 <u>1,100,367</u>
 <u>CAPITAL ASSETS</u>	
Land	72,000
Buildings	295,898
Land Improvements	38,889
Equipment, Furniture and Fixtures	<u>748,258</u>
	1,155,045
Less Accumulated Depreciation	<u>768,516</u>
Net Capital Assets	<u>386,529</u>
 TOTAL ASSETS	 <u>1,486,896</u>
 <u>LIABILITIES</u>	 <u>0</u>
 <u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	386,529
Restricted for Fire Protection	231,545
Unrestricted	<u>868,822</u>
 TOTAL NET ASSETS	 <u>\$ 1,486,896</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL
				GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES				
Legislative	\$ 45,562	\$ 0	\$ 0	\$ (45,562)
General Government	150,851	3,000	0	(147,851)
Public Safety	150,002	47,827	1,500	(100,675)
Public Works	2,864	0	0	(2,864)
Recreation and Culture	21,067	0	0	(21,067)
Other Functions	59,406	0	0	(59,406)
Total	\$ 429,752	\$ 50,827	\$ 1,500	\$ (377,425)
GENERAL REVENUES				
Property Tax				\$ 266,121
State Shared Revenue				137,669
Unrestricted Investment Earnings				14,625
Other				8,864
Total General Revenues				\$ 427,279
Change in Net Assets				\$ 49,854
NET ASSETS - Beginning of Year				1,437,042
NET ASSETS - End of Year				\$ 1,486,896

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>ASSETS</u>						
Cash	\$ 94,259	\$ 126,653	\$ 379,866	\$ 205,560	\$ 4,941	\$ 811,279
Taxes Receivable	10,439	8,635	0	0	0	19,074
Due from Other Funds	153,286	96,636	0	0	0	249,922
Due from Other Governments	20,092	0	0	0	0	20,092
TOTAL ASSETS	<u>\$ 278,076</u>	<u>\$ 231,924</u>	<u>\$ 379,866</u>	<u>\$ 205,560</u>	<u>\$ 4,941</u>	<u>\$ 1,100,367</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Deferred Revenue	\$ 458	\$ 379	\$ 0	\$ 0	\$ 0	\$ 837
<u>FUND BALANCE</u>						
Reserved for:						
Fire Protection	0	231,545	0	0	0	231,545
Unreserved						
Designated for:						
Fire Improvements	0	0	379,866	0	0	379,866
Road Improvements	0	0	0	205,560	0	205,560
Park Improvements	0	0	0	0	4,941	4,941
Undesignated	277,618	0	0	0	0	277,618
Total Fund Balance	<u>277,618</u>	<u>231,545</u>	<u>379,866</u>	<u>205,560</u>	<u>4,941</u>	<u>1,099,530</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 278,076</u>	<u>\$ 231,924</u>	<u>\$ 379,866</u>	<u>\$ 205,560</u>	<u>\$ 4,941</u>	<u>\$ 1,100,367</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$ 1,099,530
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Capital Outlay	1,155,045	
Accumulated Depreciation	<u>(768,516)</u>	386,529

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivable	<u>837</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,486,896</u></u>
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The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 161,228	\$ 104,893	\$ 0	\$ 0	\$ 0	\$ 266,121
Licenses and Permits	2,889	0	0	0	0	2,889
State Grants	137,669	1,500	0	0	0	139,169
Charges for Services	3,000	44,938	0	0	0	47,938
Interest and Rents	3,732	2,236	5,803	2,836	18	14,625
Other Revenues	6,458	1,506	0	0	900	8,864
Total Revenues	\$ 314,976	\$ 155,073	\$ 5,803	\$ 2,836	\$ 918	\$ 479,606
<u>EXPENDITURES</u>						
Legislative	\$ 45,562	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,562
General Government	156,216	0	0	0	0	156,216
Public Safety	0	101,989	0	0	0	101,989
Public Works	2,864	0	0	0	0	2,864
Culture and Recreation	15,731	0	0	0	1,696	17,427
Other Functions	59,406	0	0	0	0	59,406
Total Expenditures	\$ 279,779	\$ 101,989	\$ 0	\$ 0	\$ 1,696	\$ 383,464
Excess (Deficiency) of Revenues Over Expenditures	\$ 35,197	\$ 53,084	\$ 5,803	\$ 2,836	\$ (778)	\$ 96,142

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfers In (Out)	(50,000)	(60,000)	60,000	50,000	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (14,803)	\$ (6,916)	\$ 65,803	\$ 52,836	\$ (778)	\$ 96,142
<u>FUND BALANCE -</u>						
Beginning of Year	292,421	238,461	314,063	152,724	5,719	1,003,388
<u>FUND BALANCE -</u>						
End of Year	\$ 277,618	\$ 231,545	\$ 379,866	\$ 205,560	\$ 4,941	\$ 1,099,530

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$	96,142
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(75,918)	
Capital Outlay	29,630	(46,288)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	49,854

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

MARCH 31, 2005

	<u>AGENCY FUND</u>	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>		
Checking	\$ 3,627	\$ 249,922
Savings	<u> 2,145</u>	<u> 0</u>
 TOTAL ASSETS	 <u><u> \$ 5,772</u></u>	 <u><u> \$ 249,922</u></u>
 <u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 249,922
Due to Other Governments	<u> 5,772</u>	<u> 0</u>
 TOTAL LIABILITIES	 <u><u> \$ 5,772</u></u>	 <u><u> \$ 249,922</u></u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Benzonia Township is a general law township located in Benzie County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Benzonia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Fire Improvement Fund* accounts for revenue sources that are designated to expenditures for fire improvements.

The *Road Improvement Fund* accounts for revenue sources that designated to expenditures for road improvements

The *special revenue funds* account for revenue sources and expenditures for specific purposes (not including expendable trusts or major capital projects).

Additionally Benzonia Township reports the following fund types:

The *Parks Improvement Fund* accounts for revenue sources that are designated to expenditure for park improvements.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

D. Assets, Liabilities and Equity

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Benzonia Township totaled \$146,294,668, on which ad valorem taxes levied consisted of .8701 mills for the Benzonia Township operating purposes, and .7198 mills for Benzonia Township fire protection. These levies raised approximately \$127,257 for operating purposes and \$105,272 for fire protection.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Equipment, Furniture and Fixtures	5-10

Benzonia Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Restatement/Reclassifications*

Beginning fund balances have been restated for the General Fund and for the Fire Fund to correctly reflect the impact of implementing GASB 34. The fund statements are now presented using the modified accrual basis of accounting rather than the cash basis of accounting which was utilized in prior years.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 10, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Insurance and Bonds	\$ 9,900	\$	10,537

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. A total of \$779,616 of the Township's \$1,079,686 of the total bank deposits are in accounts which exceed the Federal depository insurance of \$100,000 and are uncollateralized. The remaining \$300,070 of bank deposits and investments are in separate accounts which are fully insured. All bank deposits are in Central State Bank. At year-end, the carrying amount of the Township's deposits was \$1,066,973 and the bank balance was \$1,079,686.

DEPOSITS

The carrying amount of the Township's deposits at year-end are shown below:

Central State Bank	
Beulah, Michigan	
Checking	\$ 288,098
Savings and Money Market Accounts	219,312
Certificates of Deposit	<u>572,276</u>
	\$ <u>1,079,686</u>
A reconciliation of cash follows:	
Carrying Amount of Deposit	\$ <u>1,066,973</u>
Government-wide Statement of Net Assets	
Cash	\$ 811,279
Statement of Fiduciary Net Assets	<u>255,694</u>
	\$ <u>1,066,973</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General		Fire		Total
Receivables					
Taxes	\$ 10,439	\$	\$ 8,635	\$	\$ 19,074

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Capital Assets

Primary Government

	Beginning Balance		Increases		Decreases		Ending Balance
<u>Governmental activities:</u>							
Capital assets, not being depreciated							
Land	\$ 72,000	\$	0	\$	0	\$	72,000
Capital assets, being depreciated							
Buildings	\$ 295,898	\$	0	\$	0	\$	295,898
Land Improvements	38,889		0		0		38,889
Equipment, Furniture and Fixtures	718,628		29,630		0		748,258
Total capital assets, being depreciated	\$ 1,053,415	\$	29,630	\$	0		1,083,045
Less accumulated depreciation for:							
Buildings	\$ 98,169	\$	5,918	\$	0	\$	104,087
Land Improvements	14,528		1,643		0		16,171
Equipment, Furniture and Fixtures	579,901		68,357		0		648,258
Total accumulated depreciation	\$ 692,598	\$	75,918	\$	0	\$	768,516
Total capital assets, being depreciated, net	\$ 360,817	\$	(46,288)	\$	0	\$	314,529
Governmental activities capital assets, net	\$ 432,817	\$	(46,288)	\$	0	\$	386,529

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 8,935
Public Safety	63,343
Recreation and Culture	<u>3,640</u>
Total depreciation expense – governmental activities	\$ <u>75,918</u>

Construction Commitments:

None.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 153,286	\$ 0
Special Revenue Funds		
Fire Fund	96,636	0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>249,922</u>
	\$ <u>249,922</u>	\$ <u>249,922</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2005

	<u>TRANSFERS IN</u>	<u>OUT</u>
<u>Primary Government</u>		
General Fund	\$ 0	\$ 50,000
Fire Fund	0	60,000
Fire Improvement Fund	60,000	0
Road Improvement Fund	<u>50,000</u>	<u>0</u>
	\$ <u>110,000</u>	\$ <u>110,000</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved		
Special Revenue Funds		
Fire Fund		
Fire Protection		\$ 231,545
Unreserved Designated for:		
Special Revenue Funds		
Fire Improvement Fund		
Fire Improvements	379,866	
Road Improvement Fund		
Road Improvements	205,560	
Parks Improvement Fund		
Parks Improvements	4,941	590,367
		<hr/>
TOTAL FUND BALANCE		
RESERVES AND DESIGNATIONS		\$ <u>821,912</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Related Party Transaction

The Township is insured through the Michigan Township Participating Plan. The Township Clerk is a Director and Officer of this organization.

C. Pension Plan

The Township participates in a defined contribution pension plan. The plan covers the Township's firefighters and elected officials with contribution based on their years of service. The Township's 2004-2005 contribution was \$16,800.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 156,800	\$ 156,800	\$ 161,228	\$ 4,428	\$ 100,000	\$ 100,000	\$ 104,893	\$ 4,893
Licenses and Permits	1,975	1,975	2,889	914	0	0	0	0
State Grants	135,000	135,000	137,669	2,669	0	0	1,500	1,500
Charges for Services	5,550	5,550	3,000	(2,550)	45,000	45,000	44,938	(62)
Interest and Rents	10,200	10,200	3,732	(6,468)	2,000	2,000	2,236	236
Other Revenues	4,500	4,500	6,458	1,958	0	0	1,506	1,506
Total Revenues	\$ 314,025	\$ 314,025	\$ 314,976	\$ 951	\$ 147,000	\$ 147,000	\$ 155,073	\$ 8,073
<u>EXPENDITURES</u>								
Legislative								
Township Board	\$ 115,500	\$ 99,500	\$ 45,562	\$ 53,938	\$ 0	\$ 0	\$ 0	\$ 0
General Government								
Supervisor	17,050	17,050	16,422	628	0	0	0	0
Election	10,300	10,300	7,100	3,200	0	0	0	0
Assessor	35,975	35,975	33,368	2,607	0	0	0	0
Clerk	33,250	33,250	21,351	11,899	0	0	0	0
Board of Review	3,300	3,300	2,237	1,063	0	0	0	0
Treasurer	23,700	23,700	20,238	3,462	0	0	0	0
Building and Grounds	13,350	18,850	17,660	1,190	0	0	0	0
Cemetery	28,000	38,600	37,840	760	0	0	0	0
Public Safety								
Fire Protection	0	0	0	0	237,800	237,800	101,989	135,811
Fire Improvement	0	0	0	0	0	0	0	0
Public Works								
Highways, Roads and Bridges	5,000	5,000	2,864	2,136	0	0	0	0
Road Improvements	0	0	0	0	0	0	0	0
Community and Economic Development								
Land Division	1,000	1,000	0	1,000	0	0	0	0
Recreation and Cultural								
Recreation and Parks	21,100	20,900	9,731	11,169	0	0	0	0
Library	4,000	4,000	4,000	0	0	0	0	0
Historical Society	2,000	2,000	2,000	0	0	0	0	0
Other Functions								
Insurance and Bonds	9,900	9,900	10,537	(637)	0	0	0	0
Employee Benefits	52,200	52,300	48,869	3,431	0	0	0	0
Total Expenditures	\$ 375,625	\$ 375,625	\$ 279,779	\$ 95,846	\$ 237,800	\$ 237,800	\$ 101,989	\$ 135,811
Excess (Deficiency) of Revenues Over Expenditures	\$ (61,600)	\$ (61,600)	\$ 35,197	\$ 96,797	\$ (90,800)	\$ (90,800)	\$ 53,084	\$ 143,884
<u>OTHER FINANCING SOURCES (USES)</u>								
Operating Transfers In (Out)	\$ (50,000)	\$ (50,000)	\$ (50,000)	0	\$ (60,000)	\$ (60,000)	\$ (60,000)	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(111,600)	(111,600)	(14,803)	96,797	(150,800)	(150,800)	(6,916)	143,884
<u>FUND BALANCE - Beginning of Year</u>	111,600	111,600	292,421	180,821	150,800	150,800	238,461	87,661
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 0	\$ 277,618	\$ 277,618	\$ 0	\$ 0	\$ 231,545	\$ 231,545

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZIE, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Checking Account	\$ 14,357
Savings Account	79,902
Taxes Receivable	10,439
Due from Tax Collection Fund	153,286
Due from Other Governments	20,092
	<hr/>
TOTAL ASSETS	\$ 278,076
	<hr/> <hr/>

LIABILITIES AND EQUITY

LIABILITIES

Deferred Revenue	\$ 458
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EQUITY

Fund Balance	
Unreserved	277,618
	<hr/>

TOTAL LIABILITIES AND EQUITY	\$ 278,076
	<hr/> <hr/>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
<u>REVENUES</u>				
Taxes	\$ 156,800	\$ 156,800	\$ 161,228	\$ 4,428
Licenses and Permits	1,975	1,975	2,889	914
State Grants	135,000	135,000	137,669	2,669
Charges for Services	5,550	5,550	3,000	(2,550)
Interest and Rents	10,200	10,200	3,732	(6,468)
Other Revenues	4,500	4,500	6,458	1,958
Total Revenues	314,025	314,025	314,976	951
<u>EXPENDITURES</u>				
Legislative				
Township Board	115,500	99,500	45,562	53,938
General Government				
Supervisor	17,050	17,050	16,422	628
Election	10,300	10,300	7,100	3,200
Assessor	35,975	35,975	33,368	2,607
Clerk	33,250	33,250	21,351	11,899
Board of Review	3,300	3,300	2,237	1,063
Treasurer	23,700	23,700	20,238	3,462
Building and Grounds	13,350	18,850	17,660	1,190
Cemetery	28,000	38,600	37,840	760
Public Works	5,000	5,000	2,864	2,136
Community and Economic Development	1,000	1,000	0	1,000
Culture and Recreation	27,100	26,900	15,731	11,169
Other Functions	62,100	62,200	59,406	2,794
Total Expenditures	375,625	375,625	279,779	95,846
Excess of Revenues				
Over (Under) Expenditures	(61,600)	(61,600)	35,197	96,797

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ 0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(111,600)	(111,600)	(14,803)	96,797
<u>FUND BALANCE</u> - Beginning of Year	<u>111,600</u>	<u>111,600</u>	<u>292,421</u>	<u>180,821</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 277,618</u>	<u>\$ 277,618</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$	126,799	
Property Tax Administration Fee		33,002	
Interest and Penalties		1,223	
Swamp Tax		204	\$ 161,228

LICENSES AND PERMITS

Cable Television Fees	\$	2,506	
Voter Registrations		3	
Land Use and Division Permits		380	2,889

STATE GRANTS

State Revenue Sharing			
Sales and Use Tax	\$	131,645	
Telecommunications Right of Way		6,024	137,669

CHARGES FOR SERVICES

Cemetery Lot Sales			3,000
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INTEREST AND RENTS

Interest Earnings			3,732
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OTHER REVENUES

Refunds and Reimbursements			6,458
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TOTAL REVENUES			<u>\$ 314,976</u>
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 2,250

Salaries and Wages - Secretary 22,443

Supplies

Office Supplies 1,249

Operating Supplies 74

Other Services and Charges

Contracted Services 2,835

Professional Services 2,166

Communications 1,575

Transportation and Expense 162

Community Promotion 5,397

Printing and Publishing 1,399

Utilities 2,281

Repairs and Maintenance 822

Miscellaneous 128

Dues and Fees 2,436

Capital Outlay 345

Total Legislative \$ 45,562

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 16,000

Supplies

Office Supplies 111

Other Services and Charges

Repairs and Maintenance 261

Miscellaneous 50 \$ 16,422

Elections

Personal Services

Salaries and Wages \$ 4,122

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Supplies			
Office Supplies	253		
Operating Supplies	988		
Other Services and Charges			
Professional Services	623		
Transportation and Expense	352		
Printing and Publishing	516		
Capital Outlay	246	7,100	
<hr/>			
Assessor			
Personal Services			
Salaries and Wages	\$ 27,681		
Supplies			
Office Supplies	11		
Operating Supplies	1,036		
Other Services and Charges			
Contracted Services	4,340		
Education and Training	300	33,368	
<hr/>			
Clerk			
Personal Services			
Salaries and Wages	\$ 18,000		
Salaries and Wages - Per Diem	1,839		
Supplies			
Office Supplies	156		
Other Services and Charges			
Transportation and Expense	395		
Miscellaneous	17		
Education and Training	944	21,351	
<hr/>			
Board of Review			
Personal Services			
Salaries and Wages	\$ 2,057		
Other Services and Charges			
Education and Training	180	2,237	
<hr/>			

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Treasurer

Personal Services

Salaries and Wages \$ 15,000

Salaries and Wages - Per Diem 152

Supplies

Office Supplies 482

Operating Supplies 1,852

Other Services and Charges

Professional Services 14

Contracted Services 2,688

Miscellaneous 50 20,238

Building and Grounds

Supplies

Operating Supplies \$ 863

Repair Supplies 533

Other Services and Charges

Contracted Services 2,043

Utilities 1,724

Repairs and Maintenance 6,613

Capital Outlay 5,884 17,660

Cemetery

Personal Services

Salaries and Wages \$ 5,500

Supplies

Maintenance Supplies 1,433

Other Services and Charges

Contracted Services 14,724

Printing and Publishing 40

Utilities 114

Repairs and Maintenance 243

Miscellaneous 1,486

Capital Outlay 14,300 37,840

Total General Government

156,216

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC WORKS

Highways, Roads and Bridges	
Other Services and Charges	
Contracted Services	2,864

CULTURE AND RECREATION

Recreation and Parks		
Personal Services		
Salaries and Wages	\$ 6,825	
Supplies		
Operating Supplies	118	
Other Services and Charges		
Utilities	610	
Aid to Other Government	500	
Repairs and Maintenance	1,678	\$ 9,731
Library		
Other Services and Charges		
Aid to Other Government		4,000
Historical Society		
Other Services and Charges		
Aid to Other Government		2,000
Total Culture and Recreation		15,731

OTHER FUNCTIONS

Insurance and Bonds	\$ 10,537	
Employee Benefits		
Payroll Taxes	9,008	
Worker's Compensation	186	
Health Insurance	35,275	
Pension Contributions	4,400	
Total Other Functions		59,406
TOTAL EXPENDITURES		\$ 279,779

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER FINANCING USES

Operating Transfers Out

Road Improvement Fund

50,000

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$ 329,779

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Checking	\$ 10,433
Savings	14,869
Certificates of Deposit	101,351
Taxes Receivable	8,635
Due From Tax Collections Fund	96,636
	<hr/>
Total Assets	\$ 231,924
	<hr/>

LIABILITIES AND EQUITY

LIABILITIES

Deferred Revenue	\$ 379
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EQUITY

Fund Balance	
Reserved for Fire Protection	231,545
	<hr/>

TOTAL LIABILITIES AND EQUITY	\$ 231,924
	<hr/>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Taxes	
Current Property Taxes	\$ 104,893
State Grants	
Volunteer Fire Assistance Grant	1,500
Charges For Services	
Fire Contracts	44,938
Interest and Rents	
Interest Income	2,236
Other Income	
Miscellaneous	<u>1,506</u>
 Total Revenues	 <u>\$ 155,073</u>

EXPENDITURES

Public Safety	
Fire Protection	
Personal Services	
Salaries and Wages	\$ 31,768
Social Security	2,430
Pension Contribution	12,400
Supplies	
Office Supplies	80
Operating Supplies	2,424
Other Services and Charges	
Fuel	1,427
Gasoline	1,382
Repairs and Maintenance	10,438
Professional Services	1,500
Audit	1,400
Physicals	4,995
Cellular Phone	364

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

Printing and Publishing	211
Insurance and Bonds	12,009
Utilities	1,011
Membership and Dues	400
Education and Training	1,219
Capital Outlay	<u>16,531</u>
Total Expenditures	<u>\$ 101,989</u>
Excess of Revenues	
Over (Under) Expenditures	\$ 53,084
<u>OTHER FINANCING USES</u>	
Operating Transfers Out	
Fire Improvement Fund	<u>(60,000)</u>
Excess of Receipts and Other Sources	
Over (Under) Disbursements and Other Uses	\$ (6,916)
<u>FUND BALANCE</u> - Beginning of Year	<u>238,461</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 231,545</u></u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIRE IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings	\$ 65,303
Certificates of Deposit	314,563
	<hr/>
TOTAL ASSETS	\$ 379,866
	<hr/> <hr/>

LIABILITIES AND EQUITY

<u>LIABILITIES</u>	\$ 0
<u>EQUITY</u>	
Fund Balance	
Unreserved, Designated for Fire Improvements	379,866
	<hr/>
TOTAL LIABILITIES AND EQUITY	\$ 379,866
	<hr/> <hr/>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIRE IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDING MARCH 31, 2005

REVENUES

Interest and Rents	
Interest Income	\$ 5,803

EXPENDITURES

Public Safety	
Fire Improvement	<u>0</u>
Excess of Revenues	
Over (Under) Expenditures	\$ 5,803

OTHER FINANCING SOURCES

Operating Transfers In	
General Fund	<u>60,000</u>

Excess of Receipts and Other Sources	
Over (Under) Disbursements	\$ 65,803

<u>FUND BALANCE</u> - Beginning of Year	<u>314,063</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 379,866</u></u>
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

ROAD IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings	\$ 52,152
Certificates of Deposit	153,408
	<hr/>
Total Assets	\$ 205,560
	<hr/> <hr/>

LIABILITIES AND EQUITY

<u>LIABILITIES</u>	\$ 0
<u>EQUITY</u>	
Fund Balance	
Unreserved, Designated for Road Improvements	205,560
	<hr/>
TOTAL LIABILITIES AND EQUITY	\$ 205,560
	<hr/> <hr/>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

ROAD IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDING MARCH 31, 2005

REVENUES

Interest and Rents	
Interest Income	\$ 2,836

EXPENDITURES

Public Works	
Road Improvements	<u>0</u>
Excess of Revenues	
Over (Under) Expenditures	\$ 2,836

OTHER FINANCING SOURCES

Operating Transfers In	
General Fund	<u>50,000</u>
Excess of Receipts and Other Sources	
Over (Under) Disbursements	\$ 52,836

<u>FUND BALANCE</u> - Beginning of Year	<u>152,724</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 205,560</u></u>
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

PARKS IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings	\$ 4,941

LIABILITIES AND EQUITY

<u>LIABILITIES</u>	\$ 0
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EQUITY

Fund Balance	
Unreserved, Designated for Park Improvements	4,941

TOTAL LIABILITIES AND EQUITY	\$ 4,941
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

PARKS IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDING MARCH 31, 2005

REVENUES

Interest and Rents	
Interest Income	\$ 18
Other	
Donations	900
	<hr/>
Total Revenues	\$ 918

EXPENDITURES

Recreation and Cultural	
Parks and Recreation	
Capital Outlay	1,696
	<hr/>
Excess of Revenues	
Over (Under) Expenditures	\$ (778)

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 5,719
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<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 4,941
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	<u>BALANCE</u> <u>4/1/2004</u>			<u>BALANCE</u> <u>3/31/2005</u>		
		<u>ADDITIONS</u>	<u>DEDUCTIONS</u>			
<u>ASSETS</u>						
Cash						
Commercial Account	\$ 3,807	\$ 60,655	\$ 60,835	\$ 3,627		
Savings Account	4,040	12,925	14,820	2,145		
TOTAL ASSETS	\$ 7,847	\$ 73,580	\$ 75,655	\$ 5,772		
<u>LIABILITIES</u>						
Due to Other Organizations and Individuals	\$ 0	\$ 5,200	\$ 5,200	\$ 0		
Due to Other Governments	7,847	53,560	55,635	5,772		
TOTAL LIABILITIES	\$ 7,847	\$ 58,760	\$ 60,835	\$ 5,772		

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<u>ASSETS</u>				
Cash in Bank	\$ 233,406	\$ 3,112,962	\$ 3,096,446	\$ 249,922
<u>LIABILITIES</u>				
Due to Other Funds	\$ 233,406	\$ 250,238	\$ 233,722	\$ 249,922
Due to Other Organizations and Individuals	0	4,704	4,704	0
TOTAL LIABILITIES	\$ 233,406	\$ 254,942	\$ 238,426	\$ 249,922

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$ 1,133,390	
Township		
Operating	127,257	
Fire	105,272	
School		
Benzie Central Schools	1,806,368	
Intermediate School		
Traverse Bay Area Intermediate	<u>434,883</u>	\$ 3,607,170

TAXES COLLECTED

County	\$ 1,040,063	
Township		
Operating	116,818	
Fire	96,637	
School		
Benzie Central Schools	1,657,174	
Intermediate School		
Traverse Bay Area Intermediate	<u>399,208</u>	<u>3,309,900</u>

TAXES RETURNED DELINQUENT

County	\$ 93,327	
Township		
Operating	10,439	
Fire	8,635	
School		
Kingsley Area Schools	149,194	
Intermediate School		
Traverse Bay Area Intermediate	<u>35,675</u>	<u>\$ 297,270</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 2, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

During the course of our audit of the financial statements of Benzonia Township for the year ended March 31, 2005, we noted the following items:

Recording Interest Income

While testing bank reconciliations at year end, it was determined that not all interest income was recorded during the year. The amounts in question related to February and March and were corrected in April. In the future, we recommend recording all interest each month before closing the books for the month.

Sequence of Checks Issued

While reviewing the bank statements to find a computer error related to a check that was written and cleared the bank, but did not post to the general ledger due to a computer error, we noted two checks that were out of sequence when comparing the date written to the check numbers used. This was a result of a year end cut-off problem. In the future, we recommend trying to maintain sequential order related to date and check numbers when using checks.

Michigan Unemployment

As noted last year, the Township is paying Michigan unemployment on all covered wages rather than stopping at the \$9,000 state limit. This results in a very small overpayment. We have designed a reconciliation sheet for the township to use to correct his problem in the future. We have also provided the township with information relating to what employees should be reported for unemployment purposes.

Condition of Accounting Records

The records were found to be in good condition, and we appreciate the assistance the township provided us in completing the annual audit.

GASB 34

The financial statements this year are new and being shown for the first time. The requirement to adopt GASB 34 has added a complete new section to the front of the audit. The new accounting standard requires the township to present its financial statements on both the modified accrual basis of accounting, and the full accrual basis of accounting. The township continues to use the cash basis of accounting internally, and the auditors assisted in converting the records to the new basis of accounting for the audit requirement.

Budgeting

Public Act 621 states that the budget document that the Township adopt include the following financial information.

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2005, which was owed to the Township General Fund and Fire Fund. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 2, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

In planning and performing our audit of the financial statements of Benzonia Township, Benzie County, Benzonia, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.